

CORRECTED REBUTTAL TESTIMONY

of

BURMA C. JONES

Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Aqua Illinois, Inc.

Proposed General Increase for Water and Sewer  
Rates for the Woodhaven Division  
and  
Proposed General Increase for Water  
Rates for the Oak Run Division

Docket Nos. 05-0071/05-0072 (Consolidated)

July 27, 2005

OFFICIAL FILE

ILL. C. C. DOCKET NO. 05-0071/0072

ICC Staff Exhibit No. 7.0 C

Witness \_\_\_\_\_

Date 7-27-05 Per CB

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1     Witness and Schedule Identification

2     Q.     Please state your name and business address.

3

4     A.     My name is Burma C. Jones. My business address is 527 East Capitol  
5            Avenue, Springfield, Illinois 62701.

6     Q.     By whom are you employed and in what capacity?

7

8     A.     I am currently employed as an Accountant in the Accounting Department  
9            of the Financial Analysis Division of the Illinois Commerce Commission  
10           ("Commission").

11    Q.     Are you the same Burma C. Jones who previously filed testimony in this  
12            proceeding?

13

14    A.     Yes. I filed direct testimony, identified as ICC Staff Exhibit 2.0, on May 5,  
15            2005.

16    Q.     What is the purpose of your testimony in this proceeding?

17

18    A.     The purpose of my rebuttal testimony is threefold: (1) to express my

19 understanding of the Aqua Illinois, Inc. ("Aqua" or "Company") position  
20 regarding the adjustments that I proposed in my direct testimony, (2) to  
21 discuss allocation methodology and (3) to propose an adjustment to  
22 management expense based on a change in allocation methodology.

23 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 7.0?

24

25 A. Yes. I prepared the following schedules for the Company, which show  
26 data as of, or for the test year ending, December 31, 2005:

27 Schedule 7.01(W.S) Adjustment to Accumulated Deferred Income  
28 Taxes

29 Schedule 7.02 Comparison of Allocation Factors

30 Schedule 7.03(WW), (WS) Adjustment to Management Expense

31 Q. Are you including any schedules as part of ICC Staff Exhibit 7.0?

32

33 A. Yes. I am including the following attachments that present information  
34 provided by the Company.

35 Attachment A Response to Data Request BAP 25.03

36 Attachment B Response to Data Request WHA 2.02 B

37 Attachment C Response to Data Request WHA 2.03 C

38      Deferred Charges for Tank Painting

39      Q.     Did the Company accept your proposed adjustments related to tank  
40           painting?

41  
42      A.     Yes. The Company accepted in total my proposed adjustments to rate  
43           base and operating expense for tank painting at the Oak Run Water,  
44           Woodhaven Water and Woodhaven Sewer Divisions.

45      Plant in Service - Reverse Osmosis Project

46      Q.     Did the Company accept your adjustment to move the cost of a pilot study  
47           and the projected cost for engineering plans related to a Reverse Osmosis  
48           ("RO") project under consideration by the Company for its Oak Run  
49           Division from plant in service to account 183, Preliminary Survey and  
50           Investigation Charges?

51  
52      A.     My adjustment to reclassify pilot study and engineering plan costs for an  
53           RO project are reflected in the revenue requirement for the Oak Run  
54           Division that was filed with the rebuttal testimony of Company witness  
55           Jack Schreyer. However, the Company appears to agree that my  
56           adjustment is appropriate only if the Commission finds that the Company's  
57           proposed three year amortization period of rate case expense is

58 reasonable. The Company believes that a longer amortization period for  
59 rate case expense, as proposed by Staff witness Bonita Pearce, reflects  
60 Staff's uncertainty on when the RO plant construction will occur.

61 Q. Do you agree with the Company's rationale?

62

63 A. No. My proposed adjustment is not predicated on when the RO plant will  
64 be built. It is based on the fact that the plant to which the pilot study and  
65 engineering plans pertain does not now exist, nor will it exist by the end of  
66 the future test year. According to the Uniform System of Accounts for  
67 Water Utilities, Account 183 - Preliminary Survey and Investigation  
68 Charges is the appropriate place to record stated costs until construction  
69 of the RO plant begins or the Company makes the decision to abandon  
70 the project.

71 Accumulated Deferred Income Taxes

72 Q. Does the Company agree with your proposed adjustments to Accumulated  
73 Deferred Income Taxes ("ADIT")?

74

75 A. The Company does not contest my adjustments related to deferred taxes,  
76 but it does point out a calculation error on ICC Staff Exhibit 2.0, Schedule

77 2.04 (WS), page 1, line 18. I agree that there is a calculation error on  
78 Schedule 2.04 (WS), but I do not agree with the correction reflected on  
79 Company Schedule 6.1 (WW), page 2, line 22, which was filed with the  
80 rebuttal testimony of Company witness Jack Schreyer.

81 Q. Why do you disagree with the Company's correction to your calculation  
82 error?

83

84 A. I disagree with the Company's correction because it does not represent an  
85 average of the difference between the correct and incorrect amount of  
86 deferred income taxes. The calculation error affects deferred income  
87 taxes, which is an expense, but the Company's correction to the revenue  
88 requirement affects ADIT, which is a rate base component. In order to be  
89 consistent with the Company's methodology for calculating rate base  
90 balances, the adjustment to ADIT should reflect an average between  
91 beginning and ending balances for the future test year.

92 Q. Please describe ICC Staff Exhibit 7.0, Schedule 7.01(WS), Adjustment to  
93 Accumulated Deferred Income Taxes.

94

95 A. Schedule 7.01(WS) presents my adjustment to ADIT to properly reflect the

96 average of the Company's correction to the calculation error in deferred  
97 income taxes on Staff Schedule 2.04 (WS).

98 Depreciation

99 Q. Does the Company accept your proposed adjustments related to  
100 depreciation for the Woodhaven Sewer Division?  
101

102 A. My proposed adjustments related to depreciation are reflected in the  
103 revenue requirement for the Woodhaven Sewer Division that was filed  
104 with the rebuttal testimony of Company witness Jack Schreyer.

105 Q. Do you have any comments regarding depreciation rates?  
106

107 A. Yes. Although the Company suggests that I "utilize a more precise rate  
108 than 2% for the plant items for which the Company was unable to provide  
109 support for specific rates"<sup>1</sup> and testifies that "rates that accurately reflect  
110 the depreciable lives of these assets .....would be reasonable,"<sup>2</sup> it has not  
111 presented any alternate rates for review.

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<sup>1</sup>Aqua Ex. 6.0 – First Amended, lines 902 - 903.

<sup>2</sup>Aqua Ex. 6.0 – First Amended, lines 907 – 909.



Retired Utility Plant

Q. Did the Company accept your proposed adjustments related to various  
Utility Plant retirements?

A. Yes. The Company reflects my proposed adjustments related to various  
Utility Plant retirements in the revenue requirements filed with the rebuttal  
testimony of Company witness Jack Schreyer.

FAS 87 Pension

Q. What is your position regarding the pension related adjustments to rate  
base and operating expense that the Company proposed in the rebuttal  
testimony of Company witness Jack Schreyer?

A. The Company's proposed pension related adjustments reflect updated  
actuarial information for 2005. Although it is my opinion, as expressed in  
my response to Company Data Request 1.27, that the effect of  
recognizing the updated amounts on the revenue requirement of each  
division is immaterial and no adjustment is warranted, I do not object to  
the Company's inclusion of the updated amounts in its rebuttal position.

Radium Removal Treatment Plant

Q. What is your response to the Company's rebuttal adjustments related to an increase in the projected cost of the Radium Removal Treatment Plant for the Woodhaven Water Division?

A. The Company has provided information to adequately support the operating cost estimate and the increase to the projected cost of the Radium Removal Treatment Plant. Therefore, I do not object to the Company's rebuttal adjustments related to this project.

Allocation Methodology

Q. Is there another topic in the Company's rebuttal testimony to which you want to respond?

A. Yes. I want to respond to the issue of a change in corporate allocation methodology raised by Woodhaven Association ("Association") witness Jeffrey S. Hickey in his direct testimony<sup>3</sup> and addressed by Company witnesses Thomas J. Bunosky and Jack Schreyer in their rebuttal testimonies.<sup>4</sup> The Company asserts that its current allocation methodology

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<sup>3</sup> Woodhaven Association Exhibit WA 1.00, pp. 13-15.

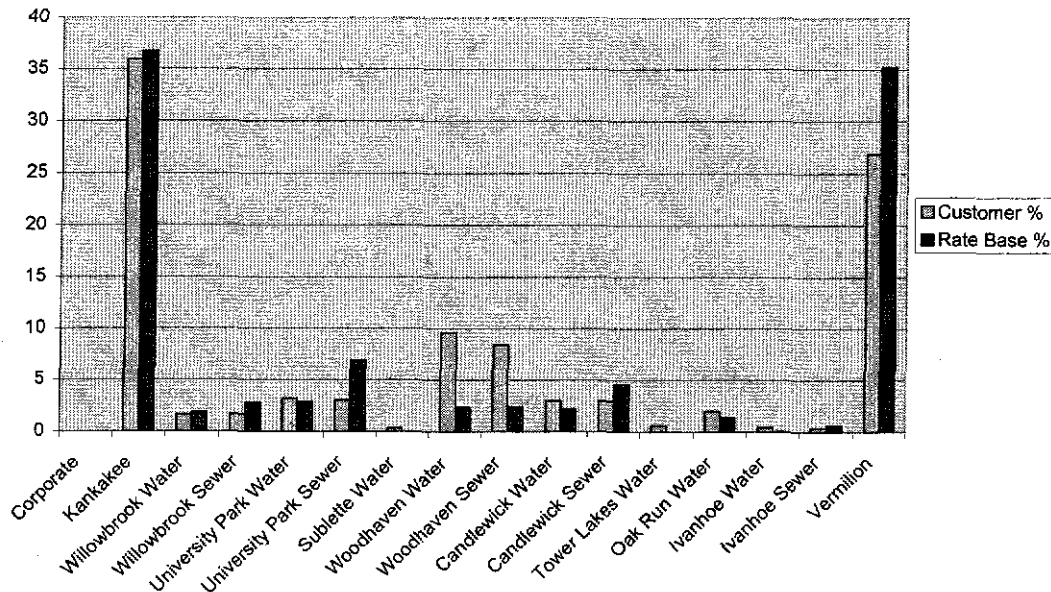
<sup>4</sup> Aqua Ex. 5.0 – Second Amended, pp. 27-28 and Aqua Ex. 6.0 – First Amended, p. 40.

based on customer count is more appropriate than allocations based on a rate base percentage, which was previously used to allocate certain expenses.

Q. Please describe ICC Staff Exhibit 7.0, Schedule 7.02, Comparison of Allocation Factors.

A. Schedule 7.02 presents a bar chart (also included below) that shows the relationship between the respective rate base and customer allocation factors for each division of Aqua. The information in the data table that supports the chart is from the Company's response, labeled WH 001960, to Staff data request BAP 25.03. The response, which is attached as ICC Staff Exhibit 7.0, Attachment A, compares test year contractual service costs allocated by rate base with test year contractual service costs allocated by customer count.

**Aqua Illinois, Inc.**  
**Comparison of Allocation Factors by Division**



162

163 Q. What is the purpose of presenting this chart?

164

165 A. The purpose of the chart is to show the effect of the change in allocation  
166 methodology from percent of total rate base to percent of customers for  
167 those expenses that were previously allocated using a rate base allocation  
168 factor. The Company's responses to Association data request WHA 2.02B  
169 & C, which are attached as ICC Staff 7.0, Attachments B and C, indicate  
170 that in-house management was allocated by rate base percentage through  
171 2003, that customer count has been the basis of contractual services

172 allocations since 2002, and that rate base percentage was the basis for  
173 allocating at least some of the prior years' contractual services expenses.

174 Q. What is the specific effect on the Woodhaven divisions of switching from a  
175 rate base allocation factor to a customer allocation factor?

176

177 A. For those expenses previously allocated by rate base, the effect is a 305%  
178 increase (2.37% to 9.60%)<sup>5</sup> for the Woodhaven Water Division and a  
179 249% increase (2.41% to 8.41%)<sup>6</sup> for the Woodhaven Sewer Division.  
180 Together, the Woodhaven Divisions account for 18% of total Aqua  
181 customers, but only 4.8% of total Aqua rate base. The disparity between  
182 percent of rate base and percent of customers is more pronounced for the  
183 Woodhaven Divisions than for Aqua's other divisions, except for the  
184 Ivanhoe Water Division, and it is the reason a change in allocation  
185 methodology from rate base to customer count effects a large increase in  
186 those expenses to which it is applied.

187 Q. What is the specific effect on the Oak Run Division of switching from a  
188 rate base allocation factor to a customer allocation factor?

---

<sup>5</sup> ICC Staff Exhibit 7.0, Sch. 7.02, p. 2, col. (b) and (c).

<sup>6</sup> Id.

189

190 A. The effect is a 41% increase (1.40% to 1.97%)<sup>7</sup>. The increase would be  
191 184% (1.40%<sup>8</sup> to 3.98%<sup>9</sup>) if the Company had not weighted Oak Run  
192 availability customers at 1/3 for the purpose of calculating the customer  
193 count allocation factor in this proceeding.

194 Q. In his rebuttal testimony, Company witness Jack Schreyer states,  
195 "Because Staff did not dispute the customer count allocation methodology  
196 utilized in Docket No. 04-0442, Staff should consistently use this approach  
197 in the instant proceeding."<sup>10</sup> Do you agree?

198

199 A. No, I do not agree. Every rate proceeding stands on its own merits and  
200 the instant rate proceeding is the first one filed since the allocation  
201 change, as identified by the Company, that highlights the adverse effect of  
202 the change on certain of the Company's divisions. In the Company's two  
203 previous rate proceedings, Docket No. 04-0442 for Vermilion and Docket  
204 No. 03-0403 for Kankakee, the impact of the change was not as overt  
205 because the percent of change was more reasonable – a decrease of

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<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> 593 user customers + 2,020 availability customers = 2,613 Oak Run customers  
64,264 (from WH001960) – 1,266 Oak Run weighted + 2,613 Oak Run unweighted. = 65,611 total cust.  
2,613/65,611 = 3.98%

206 24% (35.28% to 26.85%)<sup>11</sup> for Vermilion and a decrease of 2% (36.75% to  
207 35.93%)<sup>12</sup> for Kankakee.

208 Management Expense

209 Q. Please describe ICC Staff Exhibit 7.0, Schedule 7.03(WW), (WS),  
210 Adjustment to Management Expense.

211

212 A. Schedules 7.03(WW), (WS) reflect my adjustments to management  
213 expense to mitigate the large adverse impact that the Company's change  
214 in allocation methodology had on the Woodhaven Divisions' revenue  
215 requirements.

216

217 Q. What allocation methodology is reflected in your adjustments?

218

219 A. I calculated an allocation factor for each Woodhaven Division based on  
220 customer count, but with Woodhaven customers weighted at one-half.

221 Q. What is your basis for weighting Woodhaven customers at one-half?

222

(..continued)

<sup>10</sup> Aqua Ex. 6.0 – First Amended, p. 40, lines 858-860.

<sup>11</sup> ICC Staff Exhibit 7.0, Sch. 7.02, p. 2, col. (b) and (c).

223       A.     This weighting appears reasonable when one considers that Woodhaven  
224             is a campground and Woodhaven customers are permitted to use their  
225             properties only six months of the year.

226       Q.     Has the Company considered weighting Woodhaven customers at less  
227             than the current full weighting for the purpose of calculating an allocation  
228             factor based on customer count?

229

230       A.     The Company has indicated that it would be willing to consider such a  
231             proposal in conjunction with a bulk billing agreement with the Woodhaven  
232             Association, but I am not aware of the time frame for when this might  
233             occur.

234       Q.     Did you consider allocation factors other than the one used to calculate  
235             your adjustments?

236

237       A.     Yes. I considered allocation factors based on weighting Woodhaven  
238             customers at 1/3, on percent of rate base, and on the average of percent

(..continued)  
<sup>12</sup> Id.



239 of customers plus percent of rate base. The following table shows the  
240 management expense associated with each allocation factor.<sup>13</sup>

Allocation Method	Woodhaven Water		Woodhaven Sewer	
	Allocation%	Management\$	Allocation%	Management \$
Customer Count	9.60%	\$238,669	8.41%	\$208,228
Customers Wtd. 1/2	5.27%	\$131,019	4.62%	\$114,389
Customers Wtd. 1/3	3.64%	\$90,495	3.19%	\$78,983
Rate Base	2.37%	\$58,921	2.41%	\$59,671
Avg. of Rate Base % + Customer Count %	5.99%	\$148,920	5.41%	\$133,949

241

242 Q. Why is it appropriate to propose this adjustment when the Company has  
243 agreed to limit management expense to the actual amount recorded for  
244 2004 instead of the 2005 estimate included in the Company's original  
245 filing?<sup>14</sup>

246

247 A. According to the Company, customer count has been the basis of  
248 contractual services allocations since 2002, with the exception of in-house  
249 management which was allocated by rate base percentage through

<sup>13</sup> ICC Staff Exhibit 7.0, Sch. 7.03(WW), p. 2, col. (c) and (d).

<sup>14</sup> Aqua Ex. 6.0 – First Amended, p. 41, lines 861-866.

250           2003.<sup>15</sup> Presumably, actual 2004 management expense was allocated in  
251           the same manner as the 2005 estimate of management expense. Thus,  
252           even though the Company has agreed to limit management expense to  
253           the actual amount recorded for 2004, the actual 2004 amount is based  
254           upon the allocation of total management expense by customer count and  
255           also reflects the adverse impact of the change in allocation methodology.

256       Q.    Is the Company to infer that it cannot change an established allocation  
257           methodology without the Commission's approval?  
258

259       A.    No. However, consideration should be given to the effect that a change in  
260           allocation methodology will have on all of the divisions affected by the  
261           change.

262       Conclusion

263       Q.    Does this question end your prepared rebuttal testimony?  
264

265       A.    Yes.

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<sup>15</sup> Company response to Woodhaven Association Data Request WHA 2.02 B.

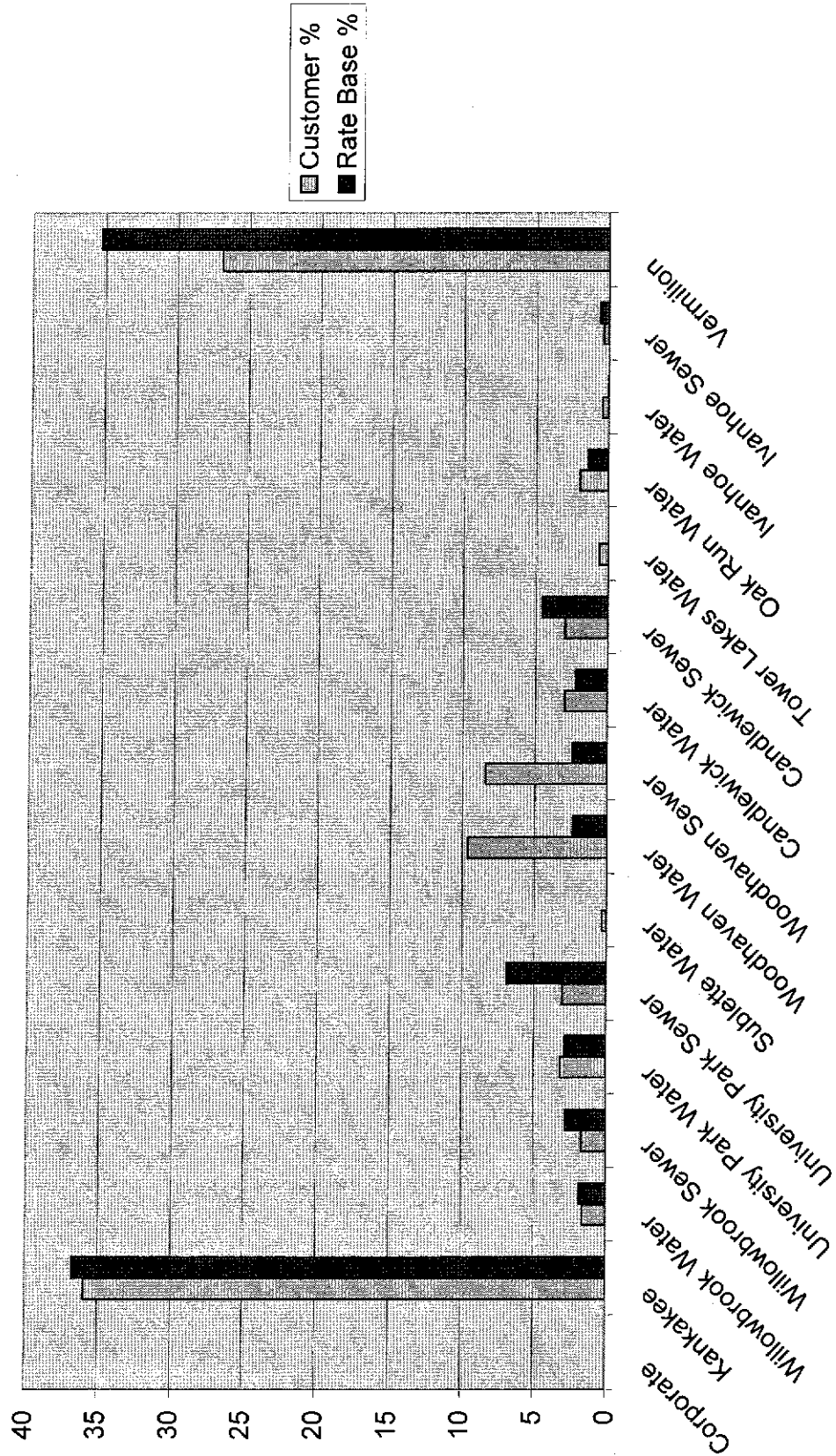
Aqua Illinois, Inc. - Woodhaven Sewer Division  
 Adjustment to Accumulated Deferred Income Taxes  
 For the Test Year Ending December 31, 2005

Line No.	Description (a)	Amount (b)
1	Correction of calculation error per Staff	\$ (389)
2	Correction of calculation error per Company	(778)
3	Staff adjustment to increase ADIT	<u>\$ 389</u>

Source:

Line 1 [0 + (778)]/2  
 Line 2 Company Schedule 6.1(WW), p. 2, footnote (1).

# **Aqua Illinois, Inc.** **Comparison of Allocation Factors by Division**



Aqua Illinois, Inc.  
Comparison of Allocation Factors by Division  
Data Table for Graph  
For the Test Year Ending December 31, 2005

Line No.	Aqua Illinois Operating Division (a)	Allocation Factors	
		Customer % (b)	Rate Base % (c)
1	Corporate		
2	Kankakee	35.94	36.75
3	Willowbrook Water	1.61	1.84
4	Willowbrook Sewer	1.69	2.82
5	University Park Water	3.18	2.87
6	University Park Sewer	3.06	6.86
7	Sublette Water	0.33	0
8	Woodhaven Water	9.6	2.37
9	Woodhaven Sewer	8.41	2.41
10	Candlewick Water	2.97	2.2
11	Candlewick Sewer	2.97	4.58
12	Tower Lakes Water	0.62	0
13	Oak Run Water	1.97	1.4
14	Ivanhoe Water	0.43	0.01
15	Ivanhoe Sewer	0.37	0.62
16	Vermilion	26.85	35.28
17		100%	100%

Source

Company response to Staff Data Request BAP 25.03, Bates label WH 001960.

Aqua Illinois, Inc. - Woodhaven Water Division  
Adjustment to Management Expense  
For the Test Year Ending December 31, 2005

Line No.	Description	Amount
	(a)	(b)
1	Management expense per Staff	\$ 131,019
2	Management expense per Company	238,669
3	Staff adjustment to decrease operating expense	<u>\$ (107,650)</u>

Source:

Line 1 ICC Staff Exhibit 7.0, Schedule 7.03(WW), p. 2, line 7.  
Line 2  $\$115,688 + \$122,981 = \$238,669$  Per original response (WH000009) and  
supplemental response to Staff Data Request JF-1.05.

Aqua Illinois, Inc. - Woodhaven Water Division  
Adjustment to Management Expense  
For the Test Year Ending December 31, 2005

Line No.	Description	Amount	Allocation Percent	Management Expense
	(a)	(b)	(c)	(d)
1	Woodhaven Customers			
2	Woodhaven Water	6,169 (1)	9.60% (1)	\$ 238,669 (2)
3	Woodhaven Sewer	5,406 (1)	8.41% (1)	\$ 208,228 (2)
4	Total Aqua	64,264 (1)		
5				
6	Woodhaven Customers Weighted at 1/2			
7	Woodhaven Water	3,085	5.27%	\$ 131,019 (3)
8	Woodhaven Sewer	2,703	4.62%	\$ 114,389 (4)
9	Total Aqua	58,477 (5)		
10				
11	Woodhaven Customers Weighted at 1/3			
12	Woodhaven Water	2,056	3.64%	\$ 90,495 (6)
13	Woodhaven Sewer	1,802	3.19%	\$ 78,983 (7)
14	Total Aqua	56,547 (8)		
15				
16	Rate Base			
17	Woodhaven Water	\$ 2,824,333 (1)	2.37% (1)	\$ 58,921 (9)
18	Woodhaven Sewer	\$ 2,872,923 (1)	2.41% (1)	\$ 59,671 (10)
19	Total Aqua	\$ 119,275,008 (1)		
20				
21	Average of Rate Base % and Customer Count %			
22	Woodhaven Water		5.99%	\$ 148,920 (11)
23	Woodhaven Sewer		5.41%	\$ 133,949 (12)
24	Total Aqua			

Source:

- (1) Aqua response to Staff Data Request BAP 25.03. Bates label WH 001960.  
 (2)  $\$115,688 + \$122,981 = \$238,669$   $\$100,358 + \$107,870 = \$208,228$  Per original responses (WH000009 & WH000010) and supplemental response to Staff Data Request JF-1.05.  
 (3)  $6,169/2 = 3,085$   $3,085/58,477 = 5.27\%$   $(5.27\%/9.60\%)*\$238,669 = \$131,019$   
 (4)  $5,406/2 = 2,703$   $2,703/58,477 = 4.62\%$   $(4.62\%/8.41\%)*\$208,228 = \$114,389$   
 (5)  $64,264 - 6,169 - 5,406 + 3,085 + 2,703 = 58,477$   
 (6)  $6,169/3 = 2,056$   $2,056/56,547 = 3.64\%$   $(3.64\%/9.60\%)*\$238,669 = \$90,495$   
 (7)  $5,406/3 = 1,802$   $1,802/56,547 = 3.19\%$   $(3.19\%/8.41\%)*\$208,228 = \$78,983$   
 (8)  $64,264 - 6,169 - 5,406 + 2,056 + 1,802 = 56,547$   
 (9)  $(2.37\%/9.60\%)*\$238,669 = \$58,921$   
 (10)  $(2.41\%/8.41\%)*\$208,228 = \$59,671$   
 (11)  $(9.60\% + 2.37\%)/2 = 5.99\%$   $(5.99\%/9.60\%)*\$238,669 = \$148,920$   
 (12)  $(8.41\% + 2.41\%)/2 = 5.41\%$   $(5.41\%/8.41\%)*\$208,228 = \$133,949$

Docket Nos. 05-0071/05-0072  
(Consolidated)  
ICC Staff Exhibit 7.0 C  
Schedule 7.03(W.S)

Aqua Illinois, Inc. - Woodhaven Sewer Division  
Adjustment to Management Expense  
For the Test Year Ending December 31, 2005

Line No.	Description	Amount
	(a)	(b)
1	Management expense per Staff	\$ 114,389
2	Management expense per Company	208,228
3	Staff adjustment to decrease operating expense	<u>\$ (93,839)</u>

Source:

Line 1 ICC Staff Exhibit 7.0, Schedule 7.03(WW), p. 2, line 8.  
Line 2  $\$100,358 + \$107,870 = \$208,228$  Per original response (WH000010) and  
supplemental response to Staff Data Request JF-1.05.



## AQUA ILLINOIS, INC.

## 2005 Rate Case Budgeted Contractual Services - Customer Count Percentage

Recalculated at Rate Base Percentage per BAP 25.03

Aqua Illinois Operating Division (A)	Approx. Rate Base (B)	Rate Base Allocation Factor % (C)	Customers Allocation Factor % (D)	Customers Allocation Factor % (E)	Contractual - Accounting Account 632		Contractual - Legal Account 633		Contractual - Parent Account 634		Illinois Corporate Account 634	
					Rate Base % (F)	Customer % (G)	Rate Base % (H)	Customer % (I)	Rate Base % (J)	Customer % (K)	Rate Base % (L)	Customer % (M)
Corporate												
Kankakee	43,830,878	36.75%	23,093	35.93%	\$ 53,471	\$ 52,288	\$ 36,376	\$ 35,571	\$ 505,900	\$ 494,705	\$ 576,210	\$ 563,459
Willowbrook:												
Water	2,189,000	1.84%	1,038	1.62%	2,670	2,350	1,817	1,599	25,266	22,236	28,777	25,327
Sewer	3,367,000	2.82%	1,083	1.69%	4,108	2,452	2,794	1,668	38,862	23,200	44,263	26,425
University Park:												
Water	3,421,000	2.87%	2,044	3.18%	4,173	4,628	2,839	3,148	39,485	43,787	44,973	49,873
Sewer	8,179,000	6.86%	1,968	3.06%	9,978	4,456	6,788	3,031	94,403	42,159	107,523	48,018
Woodhaven:												
Wd. Water	2,824,333	2.37%	6,169	9.60%	3,446	13,968	2,344	9,502	32,589	132,154	37,129	150,521
Sublette Water	0	0.00%	210	0.33%	-	475	-	323	-	4,499	-	5,124
Wd. Sewer	2,872,923	2.41%	5,406	8.41%	3,505	12,240	2,384	8,327	33,160	115,809	37,768	131,904
Candlewick:												
Cw. Water	2,619,000	2.20%	1,908	2.97%	3,195	4,320	2,174	2,939	30,229	40,874	34,430	46,554
Tower Lakes Water	0	0.00%	400	0.62%	-	906	-	616	-	8,589	-	9,760
Cw. Sewer	5,466,000	4.58%	1,907	2.97%	6,668	4,318	4,536	2,937	63,089	40,852	71,857	46,530
Oak-Run	1,670,992	1.40%	1,266	1.97%	2,039	2,867	1,387	1,950	19,287	27,121	21,967	30,890
Ivanhoe Water	13,000	0.01%	280	0.44%	16	634	11	431	150	5,998	171	6,832
Ivanhoe Sewer	743,000	0.62%	237	0.37%	906	537	617	365	8,576	5,077	9,768	5,783
Vermilion	<u>42,078,882</u>	<u>35.28%</u>	<u>17,255</u>	<u>26.85%</u>	<u>51,334</u>	<u>39,089</u>	<u>34,922</u>	<u>26,578</u>	<u>485,678</u>	<u>369,642</u>	<u>553,178</u>	<u>421,015</u>
TOTAL	119,275,008	100%	64,264	100%	\$ 145,509	\$ 145,509	\$ 98,988	\$ 98,988	\$ 1,376,682	\$ 1,376,682	\$ 1,568,014	\$ 1,568,014

WH 001960

ILLINOIS COMMERCE COMMISSION  
DOCKET NOS. 05-0071  
WOODHAVEN ASSOCIATION REQUEST

Utility Company: Aqua Illinois, Inc.

Date Submitted: April 27, 2005

Submitted By: Jack Schreyer  
Manager of Rates

**WHA 2.02** In conversation with Tom Bunosky, it is our understanding that Aqua Illinois has changed its [sic] approach or "methodology", as stated [sic] by Mr. Bunosky, with respect to allocating corporate costs to the Woodhaven divisions.

B. Explain what methods are currently being used to allocate corporate costs. Provide documentation of when this methodology was changed. Explain how the Woodhaven Association was notified of this change and its impact on the Woodhaven consumer's costs for utility services.

**Answer**

Objection, compound question, assumes facts not in evidence, overly broad and unduly burdensome, and calls for irrelevant information. The question presumes Aqua had an obligation to inform the Woodhaven Association of a change in allocation methodology. Aqua is unaware of any statute or regulation that requires notice of a change in allocation methodology. Without waiving these objections, Aqua states:

The Company allocates non-specific Total Company Contractual Services (Engineering, Accounting, Legal and Management) based on customer count. With the exception of in-house management which was allocated by rate base percentage through 2003, customer count has been the basis of contractual services allocations since 2002.

ILLINOIS COMMERCE COMMISSION  
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**WHA 2.02** In conversation with Tom Bunosky, it is our understanding that Aqua Illinois has changed its [sic] approach or "methodology", as stated [sic] by Mr. Bunosky, with respect to allocating corporate costs to the Woodhaven divisions.

C. Explain what methods were used previously and explain why the methodology was changed.

**Answer**

Objection, overly broad and assumes facts not in evidence. Without waiving this objection, Aqua states:

The basis for the prior rate proceedings' allocations is not readily available. While some portion of Accounting Services should have been allocated to Woodhaven through 2001, such was not the case. Rate Base percentage was the basis for allocating at least some of the prior years' contractual services expenses. The utilization of a customer count methodology is viewed as more appropriate for such costs, and is consistent with parent company approach.